

State of Florida



ORIGINAL

# Public Service Commission

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**-M-E-M-O-R-A-N-D-U-M-**

**DATE:** July 27, 2004

**TO:** Lee Colson, Division of Economic Regulation

**FROM:** Denise N. Vandiver, Chief, Bureau of Auditing *DNV*  
Division of Regulatory Compliance and Consumer Assistance

**RE:** **Docket No.** 040002-EG ; **Company Name:** Florida Power & Light Co. ;  
**Audit Purpose:** Energy Conservation Cost Recovery ;  
**Audit Control No.** 04-070-4-1

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to the Division of the Commission Clerk and Administrative Services. There are confidential work papers associated with this audit.

DNV/jcp  
Attachment

cc: Division of Regulatory Compliance and Consumer Assistance (Hoppe, District Offices, File Folder)  
Division of the Commission Clerk and Administrative Services (2)  
Division of Competitive Markets and Enforcement (Harvey)  
General Counsel  
Office of Public Counsel

CMP \_\_\_\_\_ Mr. Bill Walker, Vice President,  
COM \_\_\_\_\_ Florida Power & Light Company  
CTR \_\_\_\_\_ 215 South Monroe Street, Suite 810  
ECR \_\_\_\_\_ Tallahassee, FL 32301-1859  
GCL \_\_\_\_\_ Steel Law Firm  
OPC \_\_\_\_\_ Charles A. Guyton, Esq.  
MMS \_\_\_\_\_ 215 S. Monroe St., Suite 601  
RCA \_\_\_\_\_ Tallahassee, FL 32301-1804  
SCR \_\_\_\_\_  
SEC   1    
OTH \_\_\_\_\_

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FLORIDA PUBLIC SERVICE COMMISSION  
*DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE*

*Miami District Office*

FLORIDA POWER AND LIGHT COMPANY  
ENERGY CONSERVATION COST RECOVERY CLAUSE  
HISTORICAL YEAR ENDED DECEMBER 31, 2003

DOCKET NO. 040002-EG  
AUDIT CONTROL NO. 04-070-4-1

A handwritten signature in black ink, appearing to read "Raymond Grant", written over a horizontal line.

Raymond Grant  
Audit Manager

A handwritten signature in black ink, appearing to read "Kathy Welch", written over a horizontal line.

Kathy Welch  
Public Utilities Supervisor

## TABLE OF CONTENTS

<b>I.</b>	<b>AUDITOR'S REPORT</b> .....	<b>PAGE</b>
	AUDIT PURPOSE .....	1
	DISCLAIM PUBLIC USE .....	1
	SUMMARY OF SIGNIFICANT PROCEDURES .....	2
<b>II.</b>	<b>EXHIBITS</b>	
	SCHEDULE CT-3 .....	4

**DIVISION OF REGULATORY COMPLIANCE AND CONSUMER ASSISTANCE  
AUDITOR'S REPORT  
July 16, 2004**

**TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES**

We have applied the procedures described in this report to audit the Energy Cost Recovery schedules for the historical 12-month period ended December 31, 2003 for Florida Power and Light Company. These schedules were prepared by the utility as part of its petition for Energy Cost Recovery in Docket 040002-EG.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this document should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use. There is confidential information associated with this report.

## SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definitions apply when used in this report:

**Scanned** - The documents or accounts were read quickly looking for obvious errors.

**Compiled**- The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

**Reviewed**- The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

**Examined**- The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied, and account balances were tested to the extent further described.

**Confirmed**- Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

**Verified**- The item was tested for accuracy, and substantiating documentation was examined.

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**Revenues** - Verified revenues. The revenues on the revenue and rate report were reconciled to the filing. Using the base revenue and the kilowatt per hour, recalculated the billing factors and agreed the factors to the FPSC Orders.

**Expenses** - Examined expenses. Using audit analyzer, extracted a statistical sample of conservation expenses and agreed the expenses selected to source documentation.

**True-up Calculation** - Recalculated the true-up provision. Verified the beginning true-up to the Commission Orders and deferred true-up to the prior filings. Traced the interest rates to the Wall Street Journal-30 day Commercial Paper Rate. Traced the prior true-up to the prior audit.

**Investment** - Verified Capital Investment & Return Schedules. Recalculated the factors used to calculate the equity and debt component on the capital investment schedules. Traced the factors to the FPSC Orders.

Tested capital additions for Commercial Industrial Load Control (Program No. 9) and Load Management (On Call Program No. 3 & 6) by looking at invoices and supporting documentation. Verified that retirements from Load Management (Program No. 3 & 6) and Common Expenses (Program No. 9) were recorded in accordance with FPSC rules.

## II. EXHIBITS

Florida Power & Light Company  
 CONSERVATION PROGRAM COSTS  
 JANUARY 2003 THROUGH DECEMBER 2003

Program Title	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
1. Residential Conservation Service Prog	\$ 760,043	\$ 301,359	\$ 1,018,417	\$ 782,534	\$ 628,179	\$ 390,871	\$ 1,428,619	\$ 687,452	\$ 1,045,660	\$ 880,961	\$ 398,021	\$ 865,234	\$ 9,185,370
2. Residential Building Envelope Program	563,201	189,550	192,020	253,642	160,115	199,096	161,096	281,722	174,815	156,673	175,921	141,884	2,649,735
3. Residential Load Management ("On Call")	3,903,878	3,888,129	3,914,785	6,249,630	6,435,545	6,394,825	6,374,086	6,471,441	6,609,025	6,586,324	4,439,097	4,391,056	65,657,800
4. Duct System Testing & Repair Program	128,593	177,309	235,234	176,080	199,257	244,397	189,295	280,409	216,258	263,126	280,675	251,550	2,622,183
5. Residential Air Conditioning Program	963,359	939,094	1,077,198	1,189,079	1,273,218	1,503,191	1,570,353	1,481,443	1,116,465	1,460,160	908,078	763,846	14,245,483
6. Business On Call Program	72,709	84,921	194,450	264,311	267,638	340,064	286,663	292,862	296,109	303,718	(66,469)	63,544	2,400,520
7. Cogeneration & Small Power Production	17,554	20,251	25,912	19,783	21,938	19,579	20,290	22,664	42,155	23,844	24,179	22,217	280,365
8. Commercial/Industrial Efficient Lighting	26,157	147,432	70,708	85,861	25,445	67,373	54,128	85,660	125,014	38,116	33,358	29,351	788,604
9. Commercial/Industrial Load Control	2,246,111	2,287,585	2,421,471	2,396,883	2,504,886	2,636,278	2,796,553	2,601,627	2,527,672	2,547,160	2,533,230	2,943,333	30,442,790
10. C/I Demand Reduction	29,614	31,118	37,336	38,512	42,452	39,773	52,156	43,539	45,998	41,493	42,332	38,365	482,688
11. Business Energy Evaluation	103,672	131,376	644,655	221,632	546,146	194,582	207,202	441,389	424,868	304,544	185,043	342,759	3,747,868
12. C/I Heating, Ventilating & A/C Program	67,630	210,608	181,884	311,176	192,674	625,449	930,614	140,489	319,524	155,349	264,513	795,138	4,195,048
13. Business Custom Incentive Program	18,496	1,041	231,639	1,023	862	892	86	95,911	(4,190)	1,469	1,091	2,337	350,656
14. C/I Building Envelope Program	80,035	46,133	81,922	31,165	26,129	86,597	95,106	39,589	36,527	65,242	53,764	21,522	663,731
15. Conservation Research & Dev. Program	(138,807)	457	6,678	1,881	554	20,514	(9,625)	75,659	367	108,462	14,560	186,940	267,640
16. BuildSmart Program	38,285	39,187	60,372	61,475	51,069	51,048	48,464	61,572	64,680	51,673	65,448	82,433	675,696
17. Low Income Weatherization R&D	1,701	1,387	1,611	2,754	1,551	706	865	885	817	4,214	11,623	13,522	41,637
18. Photovoltaic R&D	2,324	1,586	43	2,680	22,166	3,282	2,784	3,275	2,618	3,109	4,148	2,664	50,690
19. Green Energy Project	5,550	28,529	4,382	18,656	36,411	35,246	37,983	40,661	40,859	38,024	28,557	(13,087)	299,760
20. Common Expenses	918,470	838,530	1,494,564	1,086,521	1,093,174	951,540	907,902	976,417	890,822	972,747	982,806	1,087,939	12,201,430
21. Total All Programs	\$ 9,808,574	\$ 9,363,582	\$ 11,895,281	\$ 13,195,278	\$ 13,527,409	\$ 13,805,314	\$ 15,154,590	\$ 14,104,655	\$ 13,976,083	\$ 14,006,407	\$ 10,379,974	\$ 12,032,546	\$ 151,249,690
22. LESS: Included in Base Rates	137,378	79,921	80,014	137,174	85,876	87,704	131,322	88,215	87,792	88,522	89,156	129,962	1,223,030
23. Recoverable Conservation Expenses	\$ 9,671,196	\$ 9,283,661	\$ 11,815,267	\$ 13,058,104	\$ 13,441,532	\$ 13,717,610	\$ 15,023,268	\$ 14,016,440	\$ 13,888,292	\$ 13,917,885	\$ 10,290,817	\$ 11,902,585	\$ 150,026,660

Totals may not add due to rounding



FLORIDA POWER & LIGHT COMPANY  
CONSERVATION TRUE-UP & INTEREST CALCULATION  
JANUARY THROUGH DECEMBER 2003

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
<b>B. CONSERVATION PROGRAM REVENUES</b>													
1. a. RESIDENTIAL LOAD CONTROL CREDIT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
b. C/I - PENALTIES	0	0	0	0	0	0	0	0	0	0	0	0	0
c. BUILDSMART PROGRAM REVENUES	13,075	11,225	9,700	5,575	23,000	9,825	11,175	18,750	7,175	16,225	11,375	9,625	146,725
2. CONSERVATION CLAUSE REVENUES (NET OF REVENUE TAXES)	12,734,646	12,505,703	12,550,002	12,416,223	13,453,417	15,254,393	15,763,758	15,559,038	15,754,515	14,846,140	13,559,234	12,862,150	167,259,219
3. TOTAL REVENUES	12,747,721	12,516,928	12,559,702	12,421,798	13,476,417	15,264,218	15,774,933	15,577,788	15,761,690	14,862,365	13,570,609	12,871,775	167,405,944
4. ADJUSTMENT NOT APPLICABLE TO PERIOD - PRIOR TRUE-UP	300,819	300,819	300,819	300,819	300,819	300,819	300,819	300,819	300,819	300,819	300,819	300,819	3,609,830
5. CONSERVATION REVENUES APPLICABLE TO PERIOD (Line B3 + B4)	13,048,540	12,817,747	12,860,521	12,722,617	13,777,236	15,565,037	16,075,752	15,878,607	16,062,509	15,163,184	13,871,428	13,172,594	171,015,774
6. CONSERVATION EXPENSES (From CT-3, Page 1, Line 33)	9,671,196	9,283,661	11,815,267	13,058,104	13,441,532	13,717,610	15,023,268	14,016,440	13,888,292	13,917,885	10,290,817	11,902,586	150,026,655
7. TRUE-UP THIS PERIOD (Line B5 - Line B6)	3,377,345	3,534,087	1,045,255	(335,487)	335,704	1,847,428	1,052,484	1,862,167	2,174,217	1,245,299	3,580,611	1,270,009	20,989,119
8. INTEREST PROVISION FOR THE MONTH (From CT-3, Page 3, Line C10)	10,017	13,184	14,740	14,444	14,341	13,947	13,930	15,367	16,971	18,144	19,448	21,383	185,916
9. TRUE-UP & INTEREST PROVISION BEGINNING OF MONTH	3,609,830	6,696,372	9,942,823	10,701,998	10,080,136	10,129,362	11,689,917	12,455,512	14,032,227	15,922,596	16,885,220	20,184,460	3,609,830
a. DEFERRED TRUE-UP BEGINNING OF PERIOD	4,243,096	4,243,096	4,243,096	4,243,096	4,243,096	4,243,096	4,243,096	4,243,096	4,243,096	4,243,096	4,243,096	4,243,096	4,243,096
10. PRIOR TRUE-UP COLLECTED (REFUNDED)	(300,819)	(300,819)	(300,819)	(300,819)	(300,819)	(300,819)	(300,819)	(300,819)	(300,819)	(300,819)	(300,819)	(300,819)	(3,609,830)
11. END OF PERIOD TRUE-UP - OVER/(UNDER) RECOVERY (Line B7+B8+B9+B9a+B10)	\$10,939,468	\$14,185,919	\$14,945,094	\$14,323,232	\$14,372,458	\$15,933,013	\$16,698,608	\$18,275,323	\$20,165,692	\$21,128,316	\$24,427,556	\$25,418,130	\$25,418,131

NOTES: ( ) Reflects Underrecovery

FLORIDA POWER & LIGHT COMPANY  
 CONSERVATION TRUE-UP & INTEREST CALCULATION  
 JANUARY THROUGH DECEMBER 2003

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
<b>C. INTEREST PROVISION</b>													
1. BEGINNING TRUE-UP AMOUNT (Line B9+B9a)	\$7,852,926	\$10,939,468	\$14,185,919	\$14,945,094	\$14,323,232	\$14,372,458	\$15,933,013	\$16,698,608	\$18,275,323	\$20,165,692	\$21,128,316	\$24,427,556	\$193,247,605
2. ENDING TRUE-UP AMOUNT BEFORE INTEREST (Line B7+B9+B9a+B10)	10,929,451	14,172,735	14,930,354	14,308,788	14,358,117	15,919,066	16,684,678	18,259,956	20,148,721	21,110,172	24,408,108	25,396,745	210,626,891
3. TOTAL OF BEGINNING & ENDING TRUE-UP (Line C1+C2)	\$18,782,377	\$25,112,203	\$29,116,273	\$29,253,882	\$28,681,349	\$30,291,524	\$32,617,691	\$34,958,564	\$38,424,044	\$41,275,864	\$45,536,424	\$49,824,301	\$403,874,496
4. AVERAGE TRUE-UP AMOUNT (50% of Line C3)	\$9,391,189	\$12,556,102	\$14,558,137	\$14,626,941	\$14,340,675	\$15,145,762	\$16,308,846	\$17,479,282	\$19,212,022	\$20,637,932	\$22,768,212	\$24,912,151	\$201,937,248
5. INTEREST RATE - FIRST DAY OF REPORTING BUSINESS MONTH	1.29000%	1.27000%	1.25000%	1.18000%	1.19000%	1.21000%	1.00000%	1.05000%	1.06000%	1.06000%	1.05000%	1.00000%	N/A
6. INTEREST RATE - FIRST DAY OF SUBSEQUENT BUSINESS MONTH	1.27000%	1.25000%	1.18000%	1.19000%	1.21000%	1.00000%	1.05000%	1.06000%	1.06000%	1.05000%	1.00000%	1.06000%	N/A
7. TOTAL (Line C5+C6)	2.56000%	2.52000%	2.43000%	2.37000%	2.40000%	2.21000%	2.05000%	2.11000%	2.12000%	2.11000%	2.05000%	2.06000%	N/A
8. AVERAGE INTEREST RATE (50% of Line C7)	1.28000%	1.26000%	1.21500%	1.18500%	1.20000%	1.10500%	1.02500%	1.05500%	1.06000%	1.05500%	1.02500%	1.03000%	N/A
9. MONTHLY AVERAGE INTEREST RATE (Line C8 / 12)	0.10667%	0.10500%	0.10125%	0.09875%	0.10000%	0.09208%	0.08542%	0.08792%	0.08833%	0.08792%	0.08542%	0.08583%	N/A
10. INTEREST PROVISION FOR THE MONTH (Line C4 x C9)	\$10,017	\$13,184	\$14,740	\$14,444	\$14,341	\$13,947	\$13,930	\$15,367	\$16,971	\$18,144	\$19,448	\$21,383	\$183,916

NOTES: ( ) Reflects Underrecovery  
 N/A = Not Applicable